



31 August 2004

(ASX CODE : CSS)

## COMMENTARY ON RESULTS

Concept Sports Limited today announced a net loss before tax for the six months ended 30 June 2004 of \$A2.208 million.

Revenues from ordinary activities were \$A13.905 million, compared to \$A20.641 million forecasted in the company's prospectus dated 18th May 2004 which is a shortfall of \$A6.736 million against forecast. The main factors contributing to the deterioration in the company's financial performance against forecast are summarised below;

### EURO 2004 - Portugal

Whilst expenses for the six months ended 30 June 2004 were below forecast by 15%, revenue was 37% below forecast. The directors believe this was attributable to the unexpected early elimination of the major teams as widely reported in the press, resulting in reduced expenditure at the company's merchandising outlets. In addition the company's superstore was located adjacent to the UEFA Fan Park which was expected to be a central focus of the tournament. Unfortunately crowds did not reach expectations.

### International Motorsport

In the company's first season selling merchandise at all international Grand Prix events and distributing to retail outlets around the world, revenue for the six months ending 30th June 2004 did not meet expectations. Revenues were \$A2.7 million below forecast. Expenses were down a corresponding \$A2.4 million reflecting the large component of cost attributable to stock. The company is disappointed that the wholesale merchandising business was not established as quickly or effectively as expected and has now begun a major review to improve our performance during the current and subsequent seasons.

### Australian Business

The Australian event business has continued to meet expectations. Revenue from events was up \$A0.76 million (approximately 13%) which more than offset an increase in event related expenses of \$A0.38 million.

The company's wholesale merchandise business failed to achieve forecast revenue and profit in its wholesale sales division.

Within its wholesale sales division the major shortfalls occurred primarily in our American Sports and AFL Football Club licenses.

In our American Sports licenses, revenue was down \$A0.90 million. During the forecast period, the company instituted a change to product sourcing in its headwear program whereby the company would move from in-house production to fully made-up product sourced from a new overseas supplier. This change was forced on the company due to a global change in licensing arrangements to take effect from the end of calendar year 2004. The change of supplier has given the company access to a range of new licenses. The company was expecting initial deliveries to arrive during June, however these deliveries are now due late August. In addition, the company was negotiating some major international deals for delivery during June that failed to eventuate during the forecast period.

In our AFL Football Club licenses, revenue was down \$A0.55 million. Lack of on-field team performance has been the major contributing factor to the shortfall.

The company has restructured its sales division to improve its operating performance.

Fixed expenses were in line with forecasts.

Jeffrey Taylor  
Director

# Appendix 4E

## Preliminary final report

### Concept Sports Limited

ABN: 41 168 042 593

<b>1.</b>	<b>Financial Year ended</b> (“Reporting Period”)		<b>Previous Financial Year ended</b> (“Corresponding Period”)
	6 months ended 30 June 2004		No previous corresponding period

**2. Results for announcement to the market**

					<i>\$'000</i>
<b>2.1</b>	Revenue from Ordinary Activities	up/down	%	to	13,905
<b>2.2</b>	Profit/(Loss) from ordinary activities after tax attributable to members	up/down	%	to	(2,971)
<b>2.3</b>	Net profit/(loss) for the period attributable to members	up/down	%	to	(2,971)
<b>2.4</b>	Dividends	Amount per security		Franked Amount per security	
	Final Dividend	NIL		NIL	
	Interim Dividend	NIL		NIL	
<b>2.5</b>	Record date for determining entitlements to the dividend	N/A			
<b>2.6</b>	For a brief explanation of the figures reported above, please refer to the attached commentary				

3. **PRELIMINARY STATEMENT OF CONSOLIDATED FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2004**

Refer Attachment 1

4. **PRELIMINARY STATEMENT OF CONSOLIDATED FINANCIAL POSITION  
FOR THE YEAR ENDED 30 JUNE 2004**

Refer Attachment 2

5. **PRELIMINARY STATEMENT OF CONSOLIDATED CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2004**

Refer Attachment 3

6. **NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2004**

Refer Attachment 4

**7. DIVIDENDS**

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2004	Not applicable	Not applicable
Final dividend – year ended 30 June 2004	Not applicable	Not applicable

**Amount per security**

		Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
<b>Total dividend:</b>	Reporting period	0¢	0¢	0¢
	Corresponding Period	0¢	0¢	0¢

**Total dividend on all securities**

	Reporting Period \$A'000	Corresponding Period \$A'000
Ordinary securities ( <i>each class separately</i> )	N/A	N/A
Preference securities ( <i>each class separately</i> )	N/A	N/A
Other equity instruments ( <i>each class separately</i> )	N/A	N/A
<b>Total</b>	N/A	N/A

**8. DIVIDEND OR DISTRIBUTION REINVESTMENT PLANS**

Details of dividend or distribution reinvestment plans in operation are described below:

There is no dividend reinvestment plan in place.

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

N/A

**9. STATEMENT OF RETAINED EARNINGS**

Refer to Note 14 of Attachment 4

**10. NET TANGIBLE ASSETS PER SECURITY**

Refer to Note 19 of Attachment 4

**11. CONTROL OVER ENTITIES WITH MATERIAL EFFECT:**

**Control gained over entities**

Refer to Note 15 of Attachment 4

**Loss of control of entities**

Not Applicable

**12. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES**

Refer to Note 16 of Attachment 4

**13. OTHER SIGNIFICANT INFORMATION.**

Refer to attached directors commentary and notes contained within Attachments 1 to 4

**14. ACCOUNTING STANDARDS APPLIED TO FOREIGN ENTITIES**

refer to Note 18 of Attachment 4

**15. COMMENTARY ON THE RESULTS FOR THE PERIOD**

Refer to attached directors commentary and notes contained within Attachments 1 to 4

**16. AUDIT OF THE FINANCIAL REPORT**

refer to Note 22 of Attachment 4

**17. AUDIT OPINION**

refer to Note 22 of Attachment 4

**18. MATTERS RELATING TO AUDIT DISPUTE OR QUALIFICATION**

refer to Note 22 of Attachment 4

**CONCEPT SPORTS LTD**

ABN 41 108 042 593

Attachment 1

**PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**  
**PERIOD ENDED 30 JUNE 2004**

	<b><u>NOTE</u></b>	<b><u>2004</u></b>
Revenues from ordinary activities	1	13,904,563
Changes in inventories of finished goods and work in progress		6,378,228
Materials and consumables used		(13,668,828)
Royalty expense		(3,004,921)
Employee benefits expense		(1,999,796)
Occupancy expense		(388,389)
Event expense		(780,428)
Advertising expense		(111,078)
Freight expense		(83,540)
Travel expense		(91,140)
Depreciation and amortisation expense		(609,944)
Other expenses from ordinary activities		<u>(1,557,571)</u>
		<u>(2,012,845)</u>
Borrowing costs expense		(164,897)
Share of net profits of associates accounted for using the equity method		<u>(30,614)</u>
<b>Loss from ordinary activities before income tax expense</b>		<b>(2,208,355)</b>
Income tax expense relating to ordinary activities	3	<u>(861,126)</u>
<b>Loss from ordinary activities after related income tax expense</b>		<b>(3,069,481)</b>
Net loss attributable to outside equity interests	14	<u>(98,229)</u>
	14	<u>(2,971,252)</u>
<b>Net loss attributable to members of the parent entity</b>		<b>(2,971,252)</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>(2,971,252)</b>
Basic earnings per share (cents per share)		(4.7) cents
Diluted earnings per share (cents per share)		(7.5) cents

This Statement is to be read in conjunction with the attached notes

**CONCEPT SPORTS LTD**

ABN 41 108 042 593

Attachment 2

**PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT JUNE 2004**

	<b><u>NOTE</u></b>	<b><u>2004</u></b>
<b><u>CURRENT ASSETS</u></b>		
Cash assets	4	9,918,826
Receivables	5	2,529,923
Inventories	6	6,161,228
Other	7	243,330
<b>TOTAL CURRENT ASSETS</b>		<b><u>18,853,307</u></b>
<b><u>NON-CURRENT ASSETS</u></b>		
Property, plant and equipment	8	1,178,413
Intangible assets	9	20,122,110
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>21,300,523</u></b>
<b>TOTAL ASSETS</b>		<b><u>40,153,830</u></b>
<b><u>CURRENT LIABILITIES</u></b>		
Payables	10	11,292,163
Interest-bearing liabilities	11	2,266,011
Provisions	12	293,351
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>13,851,525</u></b>
<b><u>NON-CURRENT LIABILITIES</u></b>		
Interest-bearing liabilities	11	134,981
Provisions	12	28,751
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b><u>163,732</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>14,015,257</u></b>
<b>NET ASSETS</b>		<b><u>26,138,573</u></b>
<b><u>Equity</u></b>		
Issued capital	13	29,197,425
Outside equity interest	21	(87,600)
Accumulated deficit	14	(2,971,252)
<b>TOTAL EQUITY</b>		<b><u>26,138,573</u></b>

This Statement is to be read in conjunction with the attached notes

**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS**  
**PERIOD ENDED 30 JUNE 2004**

	<b><u>NOTE</u></b>	<b><u>2004</u></b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers		14,377,849
Cash paid to suppliers & employees		(15,180,969)
Interest paid		(164,897)
Income taxes paid		(3,389)
<b>Net cash used in operating activities</b>	17	<u>(971,406)</u>
<b>Cash flows from investing activities</b>		
Purchase of property plant & equipment		(471,039)
Proceeds from sale of equipment		18,999
Cash inflow on acquisition of subsidiary		435,430
Interest received		35,836
<b>Net cash used in investing activities</b>		<u>19,226</u>
<b>Cash flow from financing activities</b>		
Proceeds from issue of share capital		10,528,523
Loans from related parties		44,900
Proceed from borrowings		311,991
Repayment to related parties		(128,144)
Payment of finance lease liabilities		(113,650)
<b>Net cash used in financing activities</b>		<u>10,643,620</u>
Net increase in cash & cash equivalents		9,691,441
Cash at beginning of the financial period		-
<b>Cash at the end of the financial period</b>	17	<u>9,691,441</u>

This Statement is to be read in conjunction with the attached notes

**NOTES TO PRELIMINARY CONSOLIDATED FINANCIAL STATEMENT**

**2004**

**NOTE 1: REVENUE**

**Operating activities**

— sale of goods	13,818,727
— interest received	35,836
	<u>13,854,563</u>

**Non-operating activities**

— proceeds on disposal property plant & equipment	50,000
<b>Total Revenue</b>	<u><u>13,904,563</u></u>

**NOTE 2: PROFIT FROM ORDINARY ACTIVITIES**

Profit from ordinary activities before income tax has been determined after:

**Expenses:**

Cost of sales	7,290,600
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**Borrowing costs:**

— other persons	164,897
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**Total borrowing costs**

**Depreciation of non-current assets:**

— plant and equipment	78,077
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— leased plant and equipment	15,925
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<b>Total depreciation</b>	<u>94,002</u>
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**Amortisation of non-current assets:**

- Goodwill	515,942
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Foreign currency translation losses	34,570
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Movement in employee provisions	29,319
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Movement in stock provision	82,356
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**Bad and doubtful debts:**

— trade debtors	14,533
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**Rental expense on operating leases**

— minimum lease payments	388,389
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**Net loss on disposal of non-current assets:**

— property, plant and equipment	6,895
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**NOTES TO PRELIMINARY CONSOLIDATED FINANCIAL STATEMENT**

**NOTE 3: INCOME TAX**

Prima facie tax on profit from ordinary activities before tax is reconciled to income tax as follows:

Prima facie tax payable on operating profit from ordinary activities before income tax @ 30%	(662,506)
Add:	
Tax effect of	
-non deductible amortisation	154,783
-other non allowable items	55,175
-foreign withholding tax credit not carried forward	81,762
-future income tax benefit written off	779,364
-future income tax benefit not brought to account	576,598
	<u>1,647,682</u>
Less:	985,176
Tax effect of	
-costs of capital raising	(124,050)
Income tax expense	<u>861,126</u>

**NOTE 4: CASH ASSETS**

Cash on hand	6,221
Cash on deposit	7,000,000
Other Cash	50,324
Cash at bank	2,862,281
	<u>9,918,826</u>

**NOTE 5: RECEIVABLES**

**CURRENT**

Trade debtors	1,666,906
Provision for doubtful debts	(100,000)
Other debtors	784,867
Loans to associated entities	178,150
	<u>2,529,923</u>

**NOTE 6: INVENTORIES**

**CURRENT**

Finished goods at cost	6,378,228
Provision for obsolescence	(217,000)
	<u>6,161,228</u>

**NOTE 7: OTHER ASSETS**

**CURRENT**

Prepayments	241,840
Other	1,490
	<u>243,330</u>

**NOTES TO PRELIMINARY CONSOLIDATED FINANCIAL STATEMENT**

**NOTE 8: PROPERTY, PLANT AND EQUIPMENT**

**Computer Equipment**

**Plant and equipment**

At cost	502,982
Less accumulated depreciation	(124,757)
	<u>378,225</u>

**Motor vehicles**

At cost	150,162
Less accumulated depreciation	(74,843)
	<u>75,319</u>

Under lease	94,817
Less accumulated depreciation	(26,906)
	<u>67,911</u>

**Office equipment**

At cost	147,457
Less accumulated depreciation	(97,537)
	<u>49,920</u>

**Furniture, fixtures and fittings**

At cost	629,627
Less accumulated depreciation	(175,292)
	<u>454,335</u>

Under lease	163,145
Less accumulated amortisation	(10,442)
	<u>152,703</u>

<b>Total property, plant and equipment</b>	<b><u><u>1,178,413</u></u></b>
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**NOTE 9: INTANGIBLE ASSETS**

Goodwill at cost	20,688,164
Less accumulated amortisation	(566,054)
	<u><u>20,122,110</u></u>

**NOTE 10: PAYABLES**

**CURRENT**

**Unsecured liabilities**

Trade creditors	8,335,744
Sundry creditors and accruals	2,776,738
Provision for tax	6,112
Loans from related parties	173,569
	<u><u>11,292,163</u></u>

**NOTES TO PRELIMINARY CONSOLIDATED FINANCIAL STATEMENT**

**NOTE 11: INTEREST BEARING LIABILITIES**

**CURRENT**

Secured liabilities

Bank overdrafts	227,385
Trade finance facility	1,971,000
Finance lease liability	65,244
Hire purchase liability	2,382
	<u>2,266,011</u>

**NON-CURRENT**

Secured liabilities

Finance lease liability	<u>134,981</u>
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**NOTE 12: PROVISIONS**

**CURRENT**

Employee benefits

293,351

**NON-CURRENT**

Employee benefits

28,751

(a) Aggregate employee benefits liability

322,102

**NOTE 13: ISSUED CAPITAL**

**Ordinary shares**

At the beginning of the reporting period

Shares issued during the year

— 37,779,840 on 1 January 2004	18,889,920
— 1,180,000 on 16 June 2004	375,000
— 24,000,000 on 16 June 2004	12,000,000
Transaction costs relating to share issues	(2,067,495)
At reporting date	<u>29,197,425</u>

**Quantity**

At the beginning of reporting period

Shares issued during year

1/1/2004	37,779,840
16/6/2004	1,180,000
16/6/2004	24,000,000
	<u>62,959,840</u>

**NOTES TO PRELIMINARY CONSOLIDATED FINANCIAL STATEMENT**

**NOTE 14 STATEMENT OF RETAINED EARNINGS**

Accumulated profit/(loss) at the beginning of the financial period	
Net profit/(loss) attributable to members	(3,069,481)
Net loss attributable to outside equity interests	(98,229)
Accumulated profit/(loss) at the end of the financial period	<u>(2,971,252)</u>

<b><u>NOTE 15 INVESTMENTS IN CONTROLLED ENTITIES</u></b>	<b>Country of Incorporation</b>	<b>Date</b>	<b>Percentage owned</b>
Concept Sports International Pty Ltd	Australia	01-01-04	100%
Steve Rolton Agencies Pty Ltd	Australia	01-01-04	100%
Concept Sports International Pty Lda	Portugal	01-01-04	100%
Concept Sports International (Europre) GmbH	Germany	22-04-04	75%
Concept Sports International AG	Switzerland	26-06-04	100%

**NOTE 16 INVESTMENT IN ASSOCIATED ENTITIES**

Venue Retailing SA	29.9%
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The associate entity, Venue Retailing SA, had not generated a net profit to 30 June 2004 and accordingly the company wrote down the carrying value of the investment to Nil upon consolidation.

**NOTES TO PRELIMINARY CONSOLIDATED FINANCIAL STATEMENT**

**NOTE 17 NOTES TO STATEMENT OF CASH FLOWS**

**(a) Reconciliation of loss from ordinary activities after income tax to net cash inflow from operating activities**

	<b>NOTE</b>	
Profit/(loss) from ordinary activities after income tax		(3,069,482)
Depreciation and amortisation		609,944
Investment income		(35,836)
Loss on disposal of property plant, and equipment		6,895
Loss from associates		30,614
<b>Changes in assets/liabilities net of the effect of acquisition of subsidiaries</b>		
Increase/(Decrease) in payables		5,454,420
Increase in payables reclassified as financing activities		(210,389)
Increase/(Decrease) in income tax payable		(3,389)
(Increase)/Decrease in receivables		(634,242)
(Increase)/Decrease in Future tax benefits		779,364
(Increase)/Decrease in inventories		(3,813,323)
(Increase)/Decrease in prepayments		(115,300)
Increase/(Decrease) in employee entitlements		29,319
Net cash from operating activities		<u>(971,406)</u>

**(b) Reconciliation of cash**

Cash at bank and on hand	4	9,918,826
Bank overdraft	11	<u>(327,385)</u>
		<u>9,591,441</u>

**NOTES TO PRELIMINARY CONSOLIDATED FINANCIAL STATEMENT**

**(c) Acquisition of Entities**

During the year 100% of the controlled entity Concept Sports International Pty Ltd and its controlled entities were acquired. Details of this transaction are:

Purchase consideration	<u>18,889,920</u>
Settled as:	
Cash consideration	0
Shares issued as consideration	<u>(18,889,920)</u>
	<u>0</u>
Assets and liabilities held at acquisition date:	
-Cash assets	608,088
-Receivables	1,736,531
-Inventories	2,352,043
-Other	128,030
-Property, plant and equipment	831,253
-Investments	30,614
-Deferred tax assets	779,364
-Intangibles	1,905,177
-Payables	(5,800,308)
-Interest-bearing liabilities	(2,122,166)
-Provisions	(292,843)
Goodwill on consolidation	<u>18,734,137</u>
	<u>18,889,920</u>

**NOTES TO PRELIMINARY CONSOLIDATED FINANCIAL STATEMENT**

**NOTE 18 SEGMENT REPORTING**

Primary reporting - Geographic segments

	<u>Segment</u> <u>revenues from</u> <u>external</u> <u>customers</u>	<u>Segment</u> <u>Result</u>	<u>Carrying</u> <u>amount of</u> <u>segment</u> <u>assets</u>	<u>Carrying</u> <u>amount of</u> <u>segment</u> <u>liabilities</u>
Australia	9,171,540	(2,013,752)	32,617,867	5,895,304
Portugal	4,095,411	(300,652)	4,150,652	4,442,904
Germany	637,612	(392,918)	3,327,952	3,677,049
Switzerland	0	0	57,359	0
Elimination entries	0	498,967	0	0
	<u>13,904,563</u>	<u>(2,208,355)</u>	<u>40,153,830</u>	<u>14,015,257</u>

	<u>Acquisition of</u> <u>non current</u> <u>segment</u> <u>assets</u>	<u>Depreciation</u> <u>and</u> <u>amortisation</u>	<u>Non cash</u> <u>segment</u> <u>expenses</u>
Australia	398,200	(605,997)	(43,852)
Portugal	0	0	0
Germany	72,839	(3,947)	(82,356)
Switzerland	0	0	0
Elimination entries	0	0	0
	<u>471,039</u>	<u>(609,944)</u>	<u>(126,208)</u>

All group entities have applied Accounting Standards and Policies consistent with the Australian parent entity.

**NOTE 19: NET TANGIBLE ASSET BACKING**

Net tangible asset backing per share 10.0 cents

**NOTE 20: EARNINGS PER SHARE**

Earnings per share -basic	(4.7) cents
Earnings per share -dilutive	(7.5) cents
Earnings used in the calculation of earnings per share	(3,069,480)
Outside equity interest	(98,229)
	<u>(2,971,251)</u>

Number of ordinary shares used in the calculation of basic earnings per share 62,959,840

Weighted average number of ordinary shares used in the calculation of dilutive earnings per share 39,716,763

**NOTES TO PRELIMINARY CONSOLIDATED FINANCIAL STATEMENT**

**NOTE 21: OUTSIDE EQUITY INTEREST**

Outside equity interest relates to the 25% minority shareholding of the controlled entity Concept Sports International (Europe) GmbH.

Share capital	10,629
Attributable loss	(98,229)
	<u>(87,600)</u>

**NOTE 22: AUDIT**

This report is based on accounts which are in the process of being audited. The directors are unaware of any dispute or qualification that may impact upon the information contained in this report.

**NOTE 23: INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Company is currently:

- evaluating the key differences in accounting policies;
  - identifying the changes to the company's financial reporting systems; and
  - commencing evaluation of the financial impact arising from key differences in accounting policies that are expected.
- to arise from adopting Australian equivalents of IFRS.

The key differences in accounting policies that are expected to arise from adopting Australian equivalents to IFRS are detailed below:

**Income taxes**

Under IFRS, a balance sheet approach will be adopted under which statutory differences are identified for each asset and liability rather than accounting for the effect of timing and permanent differences between taxable income and accounting profit.

**Goodwill**

Amortisation of goodwill will cease on adoption of IFRS. Under IFRS, the assessment of the carrying value and any resulting write down of goodwill will be a function of impairment testing.

**Impairment of Assets**

The recoverable amount test under Australian GAAP will be replaced by impairment testing, whereby recoverable amount is determined as the higher of fair value less costs to sell and value in use. Value in use incorporates the use of discounted cash flows.

**The effects of changes in foreign exchange rates**

Under IFRS, foreign subsidiaries will no longer be classified as self-sustaining / integrated entities. Different translation rules will apply.